Third quarter report

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

SaskPower
Powering the future

STRATEGIC DIRECTION

Vision

People, innovation and partnerships . . . powering Saskatchewan to a bright future.

Mission

Safe, reliable and sustainable power for our customers.

Values

Responsive, respectful, progressive and accountable in everything we say, do and offer.

Priorities

1. Proud and productive employees.
2. Loyal and satisfied customers.
3. Dependable and secure infrastructure.
4. Strong environmental stewardship and performance.
5. Prudent financial management and growth.

FINANCIAL AND OPERATING HIGHLIGHTS

Financial Indicators

	Three months ended September 30			Nine months ended September 30		
(in millions)	2009	2008	Change	2009	2008	Change
Revenue	$ 383	$ 365	$ 18	$ 1,126	$ 1,102	$ 24
Operating costs [1]	332	345	(13)	1,068	1,019	46
Operating income [1]	51	20	31	61	83	(22)
Net income (loss)	66	(60)	126	66	70	(5)
Dividends	-	14	(14)	-	38	(38)
Capital expenditures	194	98	96	463	284	179
Long-term debt	2,569	2,475	93	2,569	2,475	93
Operating return on equity [2]				5.2%	7.3%	-2.1%
Return on equity [3]				5.6%	6.1%	-0.5%
Per cent debt ratio [4]				61.2%	60.0%	1.0%

1. Operating costs and operating income are non-GAAP measures, whose nearest GAAP measures are total expense and net income (loss) respectively. Operating costs and operating income provides management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 9 for further discussion of these items.

2. Operating return on equity = (operating income)/(average equity), where average equity = [(equity advances + retained earnings at period end) + (equity advances + retained earnings at previous year-end)/2].

3. Return on equity = (net income (loss))/(average equity).

4. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + current portion of long-term debt – debt retirement funds – cash and cash equivalents).

Operating Statistics

	Three months ended September 30			Nine months ended September 30		
(GWh)	2009	2008	Change	2009	2008	Change
Saskatchewan electricity sales	4,213	4,412	(199)	13,131	13,510	(379)
Exports	118	150	(32)	207	369	(162)
Total electricity sales	4,331	4,562	(231)	13,338	13,879	(541)
Gross electricity supplied	4,704	4,920	(216)	14,611	15,181	(570)
Line losses	(373)	(358)	(15)	(1,273)	(1,302)	29
Net electricity supplied	4,331	4,562	(231)	13,338	13,879	(541)
Electricity trading purchases	391	317	74	1,207	1,385	(178)
Line losses	(13)	(9)	(4)	(35)	(37)	2
Electricity trading sales	378	308	70	1,172	1,348	(176)
Generating capacity (net MW)	3,641	3,620	21	3,641	3,620	21
Peak load (net MW)	2,773	2,834	(61)	3,056	3,016	80
Customers	464,276	457,075	7,201	464,276	457,075	7,201

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Long-term debt	**2,568**	2,475	93	**2,568**	2,475	93
Operating return on equity [2]				**5.2%**	7.3%	-2.1%
Return on equity [3]				**5.6%**	6.1%	-0.5%
Per cent debt ratio [4]				**61.0%**	60.0%	1.0%

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower, the Corporation). It should be read in conjunction with the SaskPower unaudited interim consolidated financial statements and supporting notes for the nine months ended September 30, 2009. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) section 1751, "Interim Financial Statements." The SaskPower Audit and Finance Committee of the Board of Directors has approved the interim financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Financial Results

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Revenue						
Saskatchewan electricity sales	**$ 355**	$ 336	$ 19	**$ 1,056**	$ 1,028	$ 28
Exports	**6**	12	(6)	**11**	28	(17)
Net sales from electricity trading	**1**	5	(4)	**7**	11	(4)
Other revenue	**21**	12	9	**52**	35	17
Total revenue	**383**	365	18	**1,126**	1,102	24
Operating costs						
Net fuel and purchased power[1]	**114**	129	(15)	**377**	393	(16)
Operating, maintenance & administration	**122**	103	19	**378**	307	71
Depreciation, finance charges & taxes	**96**	113	(17)	**310**	319	(9)
Total operating costs [1]	**332**	345	(13)	**1,065**	1,019	46
Operating income [1]	**$ 51**	$ 20	$ 31	**$ 61**	$ 83	$ (22)
Unrealized natural gas risk management activities	**15**	(80)	95	**4**	(13)	17
Net income (loss)	**$ 66**	$ (60)	$ 126	**$ 65**	$ 70	$ (5)

[1] Net fuel and purchased power, operating costs and operating income are non-GAAP measures, whose nearest GAAP measures are fuel and purchased power, realized natural gas risk management activities, total expense and net income (loss). Net fuel and purchased power, operating costs and operating income provide management and shareholders with measurements of operating performance which are readily comparable from period to period. Refer to the Non-GAAP Measures section on page 9 for further discussion of these items.

Highlights

Third Quarter

Operating income was $51 million in the third quarter of 2009 compared to operating income of $20 million during the same period of 2008. The increase in operating income was the result of an $18 million increase in revenue and a $13 million decrease in operating costs.

The $18 million improvement in revenue was largely attributable to a $19 million increase in Saskatchewan electricity sales due to an 8.5% system-wide rate increase that went into effect on June 1, 2009 and a change in the sales mix partially offset by a decrease in sales volumes. There were also decreases in exports and net sales from electricity trading of $6 million and $4 million, respectively, over the same period in 2008. The decrease in these revenue sources was offset by a $9 million increase in other revenue due to the Federal Government funding for the integrated carbon capture sequestration (ICCS) project.

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Exports	6	12	(6)	11	28	(17)
Net sales from electricity trading	1	5	(4)	7	11	(4)
Other revenue	21	12	9	52	35	17
Total revenue	383	365	18	1,128	1,102	26
Operating costs						
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Third Quarter

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The $18 million improvement in revenue was largely attributable to a $19 million increase in Saskatchewan electricity sales due to an 8.5% system-wide rate increase that went into effect on June 1, 2009 and a change in the sales mix partially offset by a decrease in sales volumes. There were also decreases in exports and net sales from electricity trading of $6 million and $4 million, respectively, over the same period in 2008. The decrease in these revenue sources was offset by a $9 million increase in other revenue due to the Federal Government funding for the integrated carbon capture sequestration (ICCS) project.

Total operating costs were down $13 million compared to the same period in 2008 due to a $15 million decrease in net fuel and purchased power costs and a $17 million decrease in depreciation, finance charges and taxes. Net fuel and purchased power costs were down largely as a result of a decline in total generation and a reduction in natural gas prices. The decline in depreciation, finance charges and taxes was due to a $4 million increase in interest capitalized; $8 million in additional gains on debt retirement funds and a $4 million reduction in environmental provisions offset by a $1 million increase in taxes. Operating, maintenance and administration costs increased $19 million from the same period in 2008. This was the result of an increase in the defined benefit pension plan expense; spending on the ICCS project; rising maintenance costs; and higher salaries and wages. The ICCS costs were completely offset by Federal Government funding which was recorded in other revenue.

The Corporation reported $15 million of unrealized market value gains on its natural gas risk management activities in the third quarter of 2009 compared to an $80 million loss over the same period in 2008. The unrealized gains represent the change in the value of SaskPower's outstanding natural gas contracts. Net income, including unrealized natural gas risk management activities, was $66 million in the third quarter of 2009 compared to a $60 million net loss during the same period in 2008.

Year-to-Date

Operating income was $61 million in the first nine months of 2009 compared to $83 million during the same period of 2008. The decrease in operating income was the result of a $46 million increase in operating costs partially offset by a $24 million increase in revenue.

The $24 million improvement in revenue was largely attributable to a $28 million increase in Saskatchewan electricity sales. This was due to an 8.5% system-wide rate increase effective June 1, 2009 and a favourable change in the sales mix with increased sales to residential and commercial customers partially offset by a decrease in sales volumes. There were also increases in other revenue of $17 million over the same period in 2008 due largely to the increased Federal Government funding for the ICCS project. The increase in these revenue sources was offset slightly by a $17 million decrease in export revenue and a $4 million decrease in net sales from electricity trading.

Total operating costs increased $46 million compared to the same period in 2008 largely due to a $71 million increase in operating, maintenance and administration costs. This was the result of an increase in the defined benefit pension plan expense; spending on the ICCS project; rising maintenance costs; and higher salaries and wages. The ICCS costs were completely offset by Federal Government funding which was recorded in other revenue. Net fuel and purchased power costs were down $16 million in the period as a result of a decline in total generation and a reduction in natural gas prices. Depreciation, finance charges and taxes decreased a combined $9 million in the first nine months of 2009 compared to the same period in 2008.

The Corporation reported $4 million of unrealized market value gains on its natural gas risk management activities in the first nine months of 2009 compared to a $13 million loss over the same period in 2008. The unrealized gains represent the change in the value of SaskPower's outstanding natural gas contracts. Net income, including unrealized natural gas risk management activities, was $65 million in the first nine months of 2009 compared to $70 million during the same period in 2008.

Outlook

SaskPower's latest forecast calls for operating income of $84 million, an $8 million decrease from 2008. The decline is due in part to an increase in operating expenses. The largest increase is expected to be operating, maintenance and administration expense which will be up due to increases in pension expense, wages and salaries and maintenance activities.

These increases in operating expenses are expected to be partially offset by an increase in Saskatchewan electricity sales due to an 8.5% system-wide rate increase that came into effect on June 1, 2009. Earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

SaskPower also expects to continue to make substantial investments in its infrastructure. Capital expenditures in 2009 are forecast to be approximately $735 million. This includes costs for the installation of simple cycle natural gas turbines at Queen Elizabeth Power Station (105 MW), Ermine (94 MW) and Yellowhead (141 MW). It also includes costs to upgrade various transformers and transmission lines and connect new customers to SaskPower's grid.

Revenue

Saskatchewan electricity sales

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Saskatchewan electricity sales	**$ 355**	$ 336	$ 19	**$ 1,056**	$ 1,028	$ 28

Saskatchewan electricity sales represent the sale of electricity to all customer classes within the Province. These sales are driven by general economic conditions, number of customers and weather.

Revenue from Saskatchewan sales for the third quarter of 2009 was $355 million, up $19 million from the third quarter of 2008. Saskatchewan sales for the nine months ending September 30, 2009 were $1,056 million, up $28 million from the first nine months of 2008. The rise in Saskatchewan sales was primarily due to an 8.5% system-wide rate increase effective June 1, 2009. There was also a favourable change in the sales mix with increased sales to residential and commercial customers. This was offset by a decrease in electric sales volumes to Saskatchewan customers which were down 379 GWh from the same period in 2008.

Exports

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Exports	**$ 6**	$ 12	$ (6)	**$ 11**	$ 28	$ (17)

Exports include the sale of SaskPower's surplus generation to other regions in Canada and the United States. Export pricing is not subject to the rate review process and is priced by the external market. Export sales volumes are dependent on surplus SaskPower generation, market conditions in other jurisdictions and transmission availability.

Exports decreased from $12 million in the third quarter of 2008 to $6 million in the third quarter of 2009. In the first nine months of 2009, exports were $11 million, down $17 million from 2008. This decrease in revenue was primarily due to lower sales volumes as a result of reduced demand in the export markets. Export sales volumes decreased 162 GWh during the first nine months of 2009, compared to the first nine months of 2008. The decrease in export revenue is also attributable to a decrease in the average export sales price which was approximately $55/MWh in the first nine months of 2009. This compares to a price of approximately $77/MWh in the same period of 2008.

Net sales from electricity trading

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Electricity trading revenue	**$ 16**	$ 23	$ (7)	**$ 60**	$ 92	$ (32)
Electricity trading costs	**(15)**	(18)	3	**(52)**	(81)	29
Electricity trading market value gains (losses)	**-**	-	-	**(1)**	-	(1)
Net sales from electricity trading	**$ 1**	$ 5	$ (4)	**$ 7**	$ 11	$ (4)

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other electricity-related commodities and derivatives from regions outside of Saskatchewan.

Electricity trading revenues were $16 million in the third quarter of 2009 compared to $23 million in the third quarter of 2008 and $60 million in the first nine months of 2009 compared to $92 million in the first nine months of 2008. The decline in revenue was due to reduced volumes and average prices in nearly all of the markets the Corporation trades in. As a result of the decrease in revenue, net sales from electricity trading were $7 million in the first nine months of 2009, $4 million lower than the first nine months of 2008. The gross margin percentage on electricity trading activities was unchanged at 12%.

Other revenue

(in millions)	Three months ended September 30 2009	2008	Change	Nine months ended September 30 2009	2008	Change
Other revenue	**$ 21**	$ 12	$ 9	**$ 52**	$ 35	$ 17

Other revenue includes various non-electricity products and services. Other revenue was $21 million in the third quarter of 2009, up $9 million from the same period in 2008 and increased from $35 million in the first nine months of 2008 to $52 million in the first nine months of 2009. This increase was primarily due to additional revenues received from rising gas and electrical inspection revenue, meter reading revenue, and additional grant revenue received from the Federal Government as funding for the ICCS project. These increases in revenue were partially offset by a decrease in flyash revenue and a decrease in equity investment income from the MRM Cogeneration Station.

Operating Costs

Net fuel and purchased power

(in millions)	Three months ended September 30 2009	2008	Change	Nine months ended September 30 2009	2008	Change
Fuel and purchased power	**$ 90**	$ 136	$ (46)	**$ 320**	$ 405	$ (85)
Realized natural gas risk management activities	**24**	(7)	31	**57**	(12)	69
Net fuel and purchased power	**$ 114**	$ 129	$ (15)	**$ 377**	$ 393	$ (16)

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, electricity purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which, along with wind generation, have the lowest incremental cost per unit of generation. Hydro generation is dependent upon water levels at the Corporation's hydro facilities while coal generation is a product of the availability of the Corporation's coal plants. Wind generation cannot be dispatched on a planned basis, as it is dependent upon wind conditions.

Net fuel and purchased power costs of $114 million in the third quarter of 2009 and $377 million in the first nine months of 2009 were down $15 million and $16 million, respectively, from the same periods in 2008. The decrease in net fuel and purchased power was mainly due to a decrease in the total volume of generation. Total generation was 14,611 GWh in the first nine months of 2009, a decrease of 570 GWh compared to the same period in 2008. The decrease is attributable to the decline in domestic and export sales volumes.

The net price of fuel remained stable during the first nine months of 2009 compared to the same period in 2008. The decrease in the cost of natural gas during 2009 was largely offset by the Corporation's natural gas hedging program which seeks to hedge up to 50% of SaskPower's exposure to natural gas in any given year. This strategy is intended to mitigate the company's exposure to market prices and stabilize the fuel and purchased power budget. SaskPower's long-term natural gas risk management strategy addresses the security of natural gas supply, ensures suitable market access to liquid markets and manages natural gas price risk.

In the first nine months of 2009, approximately 12 million notional gigajoules (GJs) of hedges related to SaskPower's natural gas consumption settled resulting in $57 million in realized expense for the Corporation. The expense was due to falling natural gas prices that pushed the market price of natural gas below the Corporation's hedged rate. As a result, SaskPower made payment on these hedges for the difference between the market price of natural gas and the hedged rate.

Operating, maintenance and administration (OM&A)

	Three months ended September 30			Nine months ended September 30		
(in millions)	2009	2008	Change	2009	2008	Change
OM&A	$ 122	$ 103	$ 19	$ 378	$ 307	$ 71

OM&A expense was up $19 million in the third quarter of 2009 compared to the third quarter of 2008 and $71 million higher in the first nine months of 2009 over the same period in 2008. The year-to-date increase was due in part to a $19 million increase in the defined benefit pension plan expense as a result of significant losses on the Plan's assets in 2008. In addition, spending on the ICCS project increased $16 million in 2009 relative to the same period in 2008. However, these expenditures are completely offset by funding from the Federal Government which is recorded in other revenue. The remaining increase in OM&A was due to higher contractor costs and rising salary and wage expense as a result of increased maintenance expense, general economic increases and additional staff.

Depreciation

	Three months ended September 30			Nine months ended September 30		
(in millions)	2009	2008	Change	2009	2008	Change
Depreciation	$ 55	$ 62	$ (7)	$ 171	$ 174	$ (3)

Depreciation expense was $55 million in the third quarter of 2009, down $7 million from the same period in 2008. In the first nine months of 2009, depreciation expense was $171 million compared to $174 million in the first nine months of 2008. The decrease in depreciation expense was primarily attributable to a $4 million change in estimate to the provision for environmental remediation activities.

Finance charges

	Three months ended September 30			Nine months ended September 30		
(in millions)	2009	2008	Change	2009	2008	Change
Finance charges	$ 31	$ 41	$ (10)	$ 109	$ 119	$ (10)

Finance charges were $31 million in the third quarter of 2009 compared to $41 million in the same period of 2008. In the first nine months of 2009, finance charges were $109 million compared to $119 million in the first nine months of 2008. The decrease was primarily attributable to a $7 million improvement in the market value of debt retirement funds and earnings and a $6 million increase in interest capitalized. These were partially offset by a decrease in interest income and an increase in foreign exchange losses.

Taxes

	Three months ended September 30			Nine months ended September 30		
(in millions)	2009	2008	Change	2009	2008	Change
Taxes	$ 10	$ 10	$ -	$ 30	$ 26	$ 4

Corporate capital tax, grants-in-lieu of taxes and other taxes were $10 million in the third quarter, unchanged from 2008 and $30 million in the first nine months of 2009, an increase of $4 million from the first nine months of 2008. The increase was due to a $1 million recovery of non-resident withholding tax in 2008 and an increase in corporate capital tax in 2009.

Unrealized natural gas risk management activities

(in millions)	Three months ended September 30 2009	2008	Change	Nine months ended September 30 2009	2008	Change
Natural gas hedges market value gains (losses)	$ 16	$ (80)	96	$ 4	$ (12)	16
Natural gas hedges transitional market value gains (losses) reclassified to net income	(1)	-	(1)	-	(1)	1
Unrealized natural gas risk management activities	$ 15	$ (80)	$ 95	$ 4	$ (13)	$ 17

The unrealized natural gas risk management activities represent the change in the market value of the Corporation's outstanding natural gas hedges during the period. As of September 30, 2009, SaskPower had outstanding hedges of approximately 32 million notional GJs to fix the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the period of 2009 - 2012. The unrealized market value gain on these outstanding hedges was $4 million for the first nine months of 2009. The unrealized gains represent the change in the value of SaskPower's outstanding natural gas contracts.

Financial Condition

The following chart outlines changes in the consolidated balance sheet from December 31, 2008 to September 30, 2009:

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents	$ 2	Refer to Consolidated Statement of Cash Flows.
Accounts receivable and unbilled revenue	(2)	Improved collection of current receivables.
Inventory	2	Increase in supplies for capital projects.
Risk management assets	-	
Property, plant and equipment (net)	266	Capital additions offset by depreciation and retirements.
Debt retirement funds	32	Installments plus net earnings and market value gains.
Other assets	2	
Total change in assets	$ 302	
Accounts payable and accrued liabilities	$ 54	Increase in new generation projects.
Accrued interest	(19)	Timing of interest payments.
Risk management liabilities	(3)	Increase in the forward price of natural gas.
Short-term advance	180	Increase in use of short-term borrowings.
Dividends payable	(8)	No dividends payable in 2009.
Long-term debt (including current portion)	(4)	Debt repayments.
Other liabilities	(3)	Reduction of environmental remediation provision.
Equity	65	2009 net income.
Total change in liabilities and equity	$ 302	

Operating, maintenance and administration (OM&A)

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
OM&A	**$ 122**	$ 103	$ 19	**$ 378**	$ 307	$ 71

OM&A expense was up $19 million in the third quarter of 2009 compared to the third quarter of 2008 and $71 million higher in the first nine months of 2009 over the same period in 2008. The year-to-date increase was due in part to a $19 million increase in the defined benefit pension plan expense as a result of significant losses on the Plan's assets in 2008. In addition, spending on the ICCS project increased $16 million in 2009 relative to the same period in 2008. However, these expenditures are completely offset by funding from the Federal Government which is recorded in other revenue. The remaining increase in OM&A was due to higher contractor costs and rising salary and wage expense as a result of increased maintenance expense, general economic increases and additional staff.

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Depreciation expense was $55 million in the third quarter of 2009, down $7 million from the same period in 2008. In the first nine months of 2009, depreciation expense was $171 million compared to $174 million in the first nine months of 2008. The decrease in depreciation expense was primarily attributable to a $4 million change in estimate to the provision for environmental remediation activities.

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(in millions)	**2009**	2008	Change	**2009**	2008	Change
Finance charges	**$ 31**	$ 41	$ (10)	**$ 109**	$ 119	$ (10)

Finance charges were $31 million in the third quarter of 2009 compared to $41 million in the same period of 2008. In the first nine months of 2009, finance charges were $109 million compared to $119 million in the first nine months of 2008. The decrease was primarily attributable to a $7 million improvement in the market value of debt retirement funds and earnings and a $6 million increase in interest capitalized. These were partially offset by a decrease in interest income and an increase in foreign exchange losses.

Taxes

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Taxes	**$ 10**	$ 10	$ -	**$ 30**	$ 26	$ 4

Corporate capital tax, grants-in-lieu of taxes and other taxes were $10 million in the third quarter, unchanged from 2008 and $30 million in the first nine months of 2009, an increase of $4 million from the first nine months of 2008. The increase was due to a $1 million recovery of non-resident withholding tax in 2008 and an increase in corporate capital tax in 2009.

Unrealized natural gas risk management activities

(in millions)	Three months ended September 30 2009	2008	Change	Nine months ended September 30 2009	2008	Change
Natural gas hedges market value gains (losses)	$ 16	$ (80)	96	$ 4	$ (12)	16
Natural gas hedges transitional market value gains (losses) reclassified to net income	(1)	-	(1)	-	(1)	1
Unrealized natural gas risk management activities	**$ 15**	$ (80)	$ 95	**$ 4**	$ (13)	$ 17

The unrealized natural gas risk management activities represent the change in the market value of the Corporation's outstanding natural gas hedges during the period. As of September 30, 2009, SaskPower had outstanding hedges of approximately 32 million notional GJs to fix the price of natural gas on a portion of the Corporation's anticipated natural gas needs for the period of 2009 - 2012. The unrealized market value gain on these outstanding hedges was $4 million for the first nine months of 2009. The unrealized gains represent the change in the value of SaskPower's outstanding natural gas contracts.

Financial Condition

The following chart outlines changes in the consolidated balance sheet from December 31, 2008 to September 30, 2009.

(in millions)	Increase / (decrease)	Explanation of change
Cash and cash equivalents	$ 2	Refer to Consolidated Statement of Cash Flows
Accounts receivable and unbilled revenue	(2)	Improved collection of current receivables
Inventory	2	Increase in supplies for capital projects
Risk management assets	-	
Property, plant and equipment (net)	266	Capital additions offset by depreciation and retirements
Debt retirement funds	34	Installments plus net earnings and market value gains
Other assets	-	
Total change in assets	**$ 302**	
Accounts payable and accrued liabilities	$ 94	Increase in new generation projects
Accrued interest	(19)	Timing of interest payments
Risk management liabilities	(3)	Increase in the forward price of natural gas
Short-term advance	180	Increase in use of short-term borrowings
Dividends payable	(8)	No dividends payable in 2009
Long-term debt (including current portion)	(4)	Debt repayments
Other liabilities	(3)	Reduction of environmental remediation provision
Equity	65	2009 net income
Total change in liabilities and equity	**$ 302**	

Liquidity and Capital Resources

The Corporation's cash position was $8 million as at September 30, 2009, up $2 million from December 31, 2008. The increase in the cash position was the result of $295 million provided by operating activities and $145 million provided by financing activities, partially offset by $438 million used in investing activities.

a) Operating activities

	Three months ended September 30			Nine months ended September 30		
(in millions)	2009	2008	Change	2009	2008	Change
Net income net of non-cash items	$ 106	$ 86	$ 20	$ 246	$ 256	$ (11)
Net change in non-cash working capital	10	(38)	48	49	(23)	73
Cash provided by operating activities	$ 116	$ 48	$ 68	$ 295	$ 233	$ 62

Operating cash flow was up $62 million in the first nine months of 2009 compared to the same period in 2008. Net income net of non-cash items was down $11 million from 2008 largely as a result of increased operating and maintenance expenses. However, this decrease in cash was offset by a $73 million improvement in the Corporation's working capital.

b) Investing activities

	Three months ended September 30			Nine months ended September 30		
(in millions)	2009	2008	Change	2009	2008	Change
Generation	$ 110	$ 38	$ 72	$ 287	$ 139	$ 148
Transmission & Distribution	74	50	24	148	123	25
Other	10	10	-	28	22	6
Total capital expenditures	$ 194	$ 98	$ 96	$ 463	$ 284	$ 179
Customer contributions and net costs of removal	(9)	(10)	1	(22)	(21)	(1)
Equity investment distributions	-	-	-	(3)	(3)	-
Cash used in investing activities	$ 185	$ 88	$ 97	$ 438	$ 260	$ 178

SaskPower invested $438 million in the first nine months of 2009 on various capital projects. This includes $63 million to connect customers to the SaskPower electric system; $74 million spent on the Ermine simple cycle gas turbine project; and $108 million spent on gas turbines at the Queen Elizabeth Power Station.

Total customer contributions, net of costs of removal, were $22 million in the first nine months of 2009, up $1 million from the same period in 2008. Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The cost of removal represents the cash paid or received upon normal disposal of an asset.

In the first nine months of 2009, equity distributions received from the MRM Cogeneration Station were $3 million; unchanged from the first nine months of 2008.

c) Financing activities

(in millions)	Three months ended September 30 2009	2008	Change	Nine months ended September 30 2009	2008	Change
Net proceeds from new borrowings	$ 83	$ 43	$ 40	$ 176	$ (31)	$ 207
Net debt retirement fund (installments) redemptions	(11)	(12)	1	(23)	36	(59)
Dividends paid	-	(8)	8	(8)	(55)	47
Cash provided by (used in) financing activities	$ 72	$ 23	$ 49	$ 145	$ (50)	$ 195

In the first nine months of 2009, $145 million of cash was provided by financing activities, compared to $50 million of cash used in financing activities in the first nine months of 2008. The $145 million in cash proceeds was made up of $176 million in net new borrowings offset by $23 million in debt retirement fund installments and $8 million in dividend payments.

Debt/short-term advances

(in millions)

As at	September 30 2009	December 31 2008	Change
Gross long-term debt	$ 2,574	$ 2,578	$ (4)
Less: current portion of long-term debt	(6)	(7)	1
Total long-term debt	2,568	2,571	(3)
Short-term advance	$ 180	$ -	$ 180
Per cent debt ratio[1]	61.0%	60.7%	(0.3%)

[1] Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term debt+ short-term advances + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings).

SaskPower's gross long-term debt position was $2,574 million at September 30, 2009, down $4 million from December 31, 2008. The decrease in gross debt was the result of the repayment of $3 million of non-recourse debt and $1 million of long-term debt. The Corporation also added $180 million of short-term financing during the first nine months of 2009.

The Corporation's per cent debt ratio has risen slightly from 60.7% at the end of 2008 to 61.0% as at September 30, 2009.

Liquidity and Capital Resources

The Corporation's cash position was $8 million as at September 30, 2009, up $2 million from December 31, 2008. The increase in the cash position was the result of $295 million provided by operating activities and $145 million provided by financing activities, partially offset by $438 million used in investing activities.

a) Operating activities

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Net income net of non-cash items	**$ 106**	$ 86	$ 20	**$ 245**	$ 256	$ (11)
Net change in non-cash working capital	**10**	(38)	48	**50**	(23)	73
Cash provided by operating activities	**$ 116**	$ 48	$ 68	**$ 295**	$ 233	$ 62

Operating cash flow was up $62 million in the first nine months of 2009 compared to the same period in 2008. Net income net of non-cash items was down $11 million from 2008 largely as a result of increased operating and maintenance expenses. However, this decrease in cash was offset by a $73 million improvement in the Corporation's working capital.

b) Investing activities

	Three months ended September 30			Nine months ended September 30		
(in millions)	**2009**	2008	Change	**2009**	2008	Change
Generation	**$ 110**	$ 38	$ 72	**$ 287**	$ 139	$ 148
Transmission & Distribution	**74**	50	24	**148**	123	25
Other	**10**	10	-	**28**	22	6
Total capital expenditures	**$ 194**	$ 98	$ 96	**$ 463**	$ 284	$ 179
Customer contributions and net costs of removal	**(9)**	(10)	1	**(22)**	(21)	(1)
Equity investment distributions	**-**	-	-	**(3)**	(3)	-
Cash used in investing activities	**$ 185**	$ 88	$ 97	**$ 438**	$ 260	$ 178

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Debt/short-term advances

(in millions)

As at	**September 30 2009**	December 31 2008	Change
Gross long-term debt	**$ 2,574**	$ 2,578	$ (4)
Less: current portion of long-term debt	**(6)**	(7)	1
Total long-term debt	**2,568**	2,571	(3)
Short-term advance	**$ 180**	$ -	$ 180
Per cent debt ratio[1]	**61.0%**	60.7%	(0.3%)

[1] Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term debt+ short-term advances + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings)

SaskPower's gross long-term debt position was $2,574 million at September 30, 2009, down $4 million from December 31, 2008. The decrease in gross debt was the result of the repayment of $3 million of non-recourse debt and $1 million of long-term debt. The Corporation also added $180 million of short-term financing during the first nine months of 2009.

The Corporation's per cent debt ratio has risen slightly from 60.7% at the end of 2008 to 61.0% as at September 30, 2009.

Debt retirement funds installments/redemptions

(in millions)	September 30 2009	September 30 2008	Change
Debt retirement fund installments	$ (23)	$ (23)	$ -
Debt retirement fund redemptions	-	59	(59)
Net debt retirement fund (installments) redemptions	$ (23)	$ 36	$ (59)

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan. The Corporation made $23 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Province of Saskatchewan. SaskPower also earned $11 million, net of market value adjustments (classified as non-cash operating activities), on the debt retirement funds for the period.

Dividends

SaskPower traditionally pays dividends to CIC based on the CIC Dividend Policy. Dividends are paid quarterly, with a one-quarter lag to allow for the financial statements to be audited before the annual dividend is finalized. CIC has determined that SaskPower will not be required to pay dividends in 2009 due to the extensive capital requirements of the Corporation.

In the first nine months of 2009, SaskPower paid $8 million in dividends to CIC. This represents the dividend payable for the fourth quarter of 2008.

Future Accounting Changes - International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board and the Public Sector Accounting Board have confirmed that enterprises such as SaskPower will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

SaskPower has commenced its IFRS conversion project and developed a detailed IFRS implementation plan. An external advisor has been engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS. At this time, the impact on SaskPower's future financial position and result of operations is not reasonably determinable or estimated. However, based on the analysis to date, the most significant areas of difference are related to the accounting for property, plant and equipment; power purchase agreements; asset retirement obligations; joint ventures; employee future benefits; and financial statement disclosure.

Non-GAAP Measures

The Corporation evaluates its performance using a variety of measures. Net fuel and purchased power, operating costs and operating income are non-GAAP measures which are not defined under GAAP. Net fuel and purchased power includes fuel and purchased power costs and realized natural gas risk management activities. These are disclosed separately in the management discussion and analysis on page 4 and in the financial statements on page 10. Operating costs and operating income show income before unrealized natural gas risk management activities.

These measures should not be considered in isolation or as an alternative to or more meaningful than, fuel and purchased power, total expense or net income as determined in accordance with GAAP as an indicator of SaskPower's financial performance. These measures are not necessarily comparable to a similarly titled measure of another company.

Consolidated Statement of Income (Loss) and Retained Earnings

(in millions)	(Unaudited) Three months ended September 30 2009	2008	(Unaudited) Nine months ended September 30 2009	2008
Revenue				
Saskatchewan electricity sales	$ 368	$ 336	$ 1,028	$ 1,028
Exports	6	12	11	28
Net sales from electricity trading (Note 4)	1	5	7	11
Other revenue	21	12	62	35
Total revenue	383	365	1,128	1,102
Expense				
Fuel and purchased power	90	136	320	405
Natural gas risk management activities:				
Realized	24	(7)	57	(12)
Unrealized	(15)	80	(4)	13
Operating, maintenance and administration	122	103	378	307
Depreciation	55	62	171	174
Finance charges (Note 5)	31	41	109	119
Taxes	10	10	30	26
Total expense	317	425	1,061	1,032
Net income (loss)	66	(60)	66	70
Retained earnings, beginning of period	869	959	870	853
Dividends	-	(14)	-	(38)
Retained earnings, end of period	$ 935	$ 885	$ 935	$ 885

See accompanying notes

Debt retirement funds installments/redemptions

(in millions)	**September 30 2009**	September 30 2008	Change
Debt retirement fund installments	**$ (23)**	$ (23)	$ -
Debt retirement fund redemptions	**-**	59	(59)
Net debt retirement fund (installments) redemptions	**$ (23)**	$ 36	$ (59)

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan. The Corporation made $23 million in contributions to the debt retirement funds on outstanding debt issues as required by the terms of the advances from the Province of Saskatchewan. SaskPower also earned $11 million, net of market value adjustments (classified as non-cash operating activities), on the debt retirement funds for the period.

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These measures should not be considered in isolation or as an alternative to or more meaningful than, fuel and purchased power, total expense or net income as determined in accordance with GAAP as an indicator of SaskPower's financial performance. These measures are not necessarily comparable to a similarly titled measure of another company.

Consolidated Statement of Income (Loss) and Retained Earnings

(in millions)	(Unaudited) Three months ended September 30 2009	2008	(Unaudited) Nine months ended September 30 2009	2008
Revenue				
Saskatchewan electricity sales	**$ 355**	$ 336	**$ 1,056**	$ 1,028
Exports	**6**	12	**11**	28
Net sales from electricity trading (Note 4)	**1**	5	**7**	11
Other revenue	**21**	12	**52**	35
Total revenue	**383**	365	**1,126**	1,102
Expense				
Fuel and purchased power	**90**	136	**320**	405
Natural gas risk management activities				
Realized	**24**	(7)	**57**	(12)
Unrealized	**(15)**	80	**(4)**	13
Operating, maintenance and administration	**122**	103	**378**	307
Depreciation	**55**	62	**171**	174
Finance charges (Note 5)	**31**	41	**109**	119
Taxes	**10**	10	**30**	26
Total expense	**317**	425	**1,061**	1,032
Net income (loss)	**66**	(60)	**65**	70
Retained earnings, beginning of period	**869**	959	**870**	853
Dividends	**-**	(14)	**-**	(38)
Retained earnings, end of period	**$ 935**	$ 885	**$ 935**	$ 885

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at	(Unaudited) September 30 2009	(Audited *) December 31 2008
Assets		
Current assets		
Cash and cash equivalents	$ 8	$ 6
Accounts receivable and unbilled revenue	178	180
Inventory	149	147
Risk management assets (Note 8)	2	2
	337	335
Property, plant and equipment		
Property, plant and equipment	7,029	6,930
Less: accumulated depreciation	3,347	3,215
	3,682	3,715
Construction in progress	485	186
	4,167	3,901
Debt retirement funds	246	212
Other assets	72	72
Total assets	$ 4,822	$ 4,520
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 262	$ 168
Accrued interest	29	48
Risk management liabilities (Note 8)	36	39
Short-term advance (Note 6)	180	-
Current portion of long-term debt	6	7
Dividends payable	-	8
	513	270
Long-term debt (Note 7)	2,568	2,571
Other liabilities	147	150
Total liabilities	3,228	2,991
Equity		
Retained earnings	935	870
Accumulated other comprehensive loss	(1)	(1)
	934	869
Equity advances	660	660
Total equity	1,594	1,529
Total liabilities and equity	$ 4,822	$ 4,520

Commitments and contingencies (Note 10)

See accompanying notes

** As presented in the audited December 31, 2008 consolidated statement of financial position*

Consolidated Statement of Comprehensive Income (Loss)

(in millions)	(Unaudited) Three months ended September 30 2009	2008	(Unaudited) Nine months ended September 30 2009	2008
Net income (loss)	$ 66	$ (60)	$ 65	$ 70
Other comprehensive income (loss):				
Net gains on natural gas hedges in prior periods reclassified to net income in the current period	-	(1)	-	(2)
Other comprehensive income (loss)	-	(1)	-	(2)
Total comprehensive income (loss)	$ 66	$ (61)	$ 65	$ 68

Consolidated Statement of Accumulated Other Comprehensive (Loss) Income

(in millions)	(Unaudited) Three months ended September 30 2009	2008	(Unaudited) Nine months ended September 30 2009	2008
Accumulated other comprehensive (loss) income, beginning of period	$ (1)	$ 1	$ (1)	$ 2
Other comprehensive income (loss)	-	(1)	-	(2)
Accumulated other comprehensive (loss) income, end of period	$ (1)	$ -	$ (1)	$ -

Consolidated Statement of Financial Position

(in millions)

As at	(Unaudited) September 30 2009	(Audited *) December 31 2008
Assets		
Current assets		
Cash and cash equivalents	$ 8	$ 6
Accounts receivable and unbilled revenue	178	180
Inventory	149	147
Risk management assets (Note 8)	2	2
	337	335
Property, plant and equipment		
Property, plant and equipment	7,029	6,930
Less: accumulated depreciation	3,347	3,215
	3,682	3,715
Construction in progress	485	186
	4,167	3,901
Debt retirement funds	246	212
Other assets	72	72
Total assets	$ 4,822	$ 4,520
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 262	$ 168
Accrued interest	29	48
Risk management liabilities (Note 8)	36	39
Short-term advance (Note 6)	180	-
Current portion of long-term debt	6	7
Dividends payable	-	8
	513	270
Long-term debt (Note 7)	2,568	2,571
Other liabilities	147	150
Total liabilities	3,228	2,991
Equity		
Retained earnings	935	870
Accumulated other comprehensive loss	(1)	(1)
	934	869
Equity advances	660	660
Total equity	1,594	1,529
Total liabilities and equity	$ 4,822	$ 4,520

Commitments and contingencies (Note 10)

See accompanying notes

** As presented in the audited December 31, 2008 consolidated statement of financial position*

Consolidated Statement of Comprehensive Income (Loss)

(in millions)	(Unaudited) Three months ended September 30 2009	2008	(Unaudited) Nine months ended September 30 2009	2008
Net income (loss)	**$ 66**	$ (60)	**$ 65**	$ 70
Other comprehensive income (loss):				
Net gains on natural gas hedges in prior periods reclassified to net income in the current period	-	(1)	-	(2)
Other comprehensive income (loss)	-	(1)	-	(2)
Total comprehensive income (loss)	**$ 66**	$ (61)	**$ 65**	$ 68

Consolidated Statement of Accumulated Other Comprehensive (Loss) Income

(in millions)	(Unaudited) Three months ended September 30 2009	2008	(Unaudited) Nine months ended September 30 2009	2008
Accumulated other comprehensive (loss) income, beginning of period	**$ (1)**	$ 1	**$ (1)**	$ 2
Other comprehensive income (loss)	-	(1)	-	(2)
Accumulated other comprehensive (loss) income, end of period	**$ (1)**	$ -	**$ (1)**	$ -

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended September 30 2009	2008	(Unaudited) Nine months ended September 30 2009	2008
Operating activities				
Net income (loss)	**$ 66**	$ (60)	**$ 65**	$ 70
Add (deduct) items not involving cash:				
Depreciation	**55**	62	**171**	174
Natural gas hedges market value (gains) losses	**(16)**	80	**(4)**	12
Natural gas hedges transitional market value losses reclassified to net income	**1**	-	**-**	1
Electricity trading market value losses	**-**	-	**1**	-
Debt retirement fund earnings	**(3)**	(3)	**(8)**	(10)
Debt retirement fund market value (gains) losses	**(4)**	4	**(3)**	6
Defined benefit pension plan expense	**9**	3	**27**	8
Equity investment income	**(2)**	(1)	**(5)**	(6)
Other	**-**	1	**1**	1
	106	86	**245**	256
Net change in non-cash working capital	**10**	(38)	**50**	(23)
Cash provided by operating activities	**116**	48	**295**	233
Investing activities				
Property, plant and equipment	**(189)**	(97)	**(453)**	(280)
Interest capitalized	**(5)**	(1)	**(10)**	(4)
Customer contributions and net costs of removal	**9**	10	**22**	21
Equity investment distributions	**-**	-	**3**	3
Cash used in investing activities	**(185)**	(88)	**(438)**	(260)
Decrease in cash before financing activities	**(69)**	(40)	**(143)**	(27)
Financing activities				
Proceeds from long-term debt	**-**	-	**-**	253
Repayment of long-term debt	**(1)**	(11)	**(1)**	(337)
Net proceeds from short-term advance	**85**	55	**180**	55
Repayment of non-recourse debt	**(1)**	(1)	**(3)**	(2)
Debt retirement fund installments	**(11)**	(12)	**(23)**	(23)
Debt retirement fund redemptions	**-**	-	**-**	59
Dividends paid	**-**	(8)	**(8)**	(55)
Cash provided by (used in) financing activities	**72**	23	**145**	(50)
Increase (decrease) in cash	**3**	(17)	**2**	(77)
Cash and cash equivalents, beginning of period	**5**	24	**6**	84
Cash and cash equivalents, end of period	**$ 8**	$ 7	**$ 8**	$ 7

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended September 30 2009	2008	(Unaudited) Nine months ended September 30 2009	2008
Operating activities				
Net income (loss)	$ [illegible]	$ (60)	$ [illegible]	$ 70
Add (deduct) items not involving cash:				
Depreciation	[illegible]	62	171	174
Natural gas hedges market value (gains) losses	[illegible]	80	[illegible]	12
Natural gas hedges transitional market value losses reclassified to net income	[illegible]	-	[illegible]	1
Electricity trading market value losses	[illegible]	-	[illegible]	-
Debt retirement fund earnings	[illegible]	(3)	[illegible]	(10)
Debt retirement fund market value (gains) losses	[illegible]	4	[illegible]	6
Defined benefit pension plan expense	[illegible]	3	[illegible]	8
Equity investment income	[illegible]	(1)	[illegible]	(6)
Other	[illegible]	1	[illegible]	1
	[illegible]	86	[illegible]	256
Net change in non-cash working capital	[illegible]	(38)	[illegible]	(23)
Cash provided by operating activities	[illegible]	48	[illegible]	233
Investing activities				
Property, plant and equipment	[illegible]	(97)	[illegible]	(280)
Interest capitalized	[illegible]	(1)	[illegible]	(4)
Customer contributions and net costs of removal	[illegible]	10	[illegible]	21
Equity investment distributions	[illegible]	-	[illegible]	3
Cash used in investing activities	[illegible]	(88)	[illegible]	(260)
Decrease in cash before financing activities	[illegible]	(40)	[illegible]	(27)
Financing activities				
Proceeds from long-term debt	[illegible]	-	[illegible]	253
Repayment of long-term debt	[illegible]	(11)	[illegible]	(337)
Net proceeds from short-term advance	[illegible]	55	[illegible]	55
Repayment of non-recourse debt	[illegible]	(1)	[illegible]	(2)
Debt retirement fund installments	[illegible]	(12)	[illegible]	(23)
Debt retirement fund redemptions	[illegible]	-	[illegible]	59
Dividends paid	[illegible]	(8)	[illegible]	(55)
Cash provided by (used in) financing activities	[illegible]	23	[illegible]	(50)
Increase (decrease) in cash	[illegible]	(17)	[illegible]	(77)
Cash and cash equivalents, beginning of period	[illegible]	24	[illegible]	84
Cash and cash equivalents, end of period	$ [illegible]	$ 7	$ [illegible]	$ 7

Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2009

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of The Power Corporation Act.

By virtue of The Crown Corporations Act, 1993, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations' tax.

2. Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements (interim financial statements) do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal, with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates include electricity sales not yet billed; carrying amounts of property, plant and equipment; underlying estimates of useful lives and related depreciation; carrying amounts of asset retirement obligations and underlying estimates of future cash flows; the fair value of financial instruments; and carrying amounts of deferred pension costs and underlying actuarial assumptions. Actual results could differ from those estimates, which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements.

Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2009

3. Dividend Policy

SaskPower traditionally pays dividends to CIC based on the CIC dividend policy. In 2009, CIC has determined that SaskPower will not be required to pay any dividends due to the extensive capital requirements of the Corporation.

4. Net Sales from Electricity Trading (in millions)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	**2009**	2008
Electricity trading revenue	**$ 16**	$ 23	**$ 60**	$ 92
Electricity trading costs	**(15)**	(18)	**(52)**	(81)
Electricity trading market value gains (losses)	**-**	-	**(1)**	-
	$ 1	$ 5	**$ 7**	$ 11

5. Finance Charges (in millions)

	Three months ended September 30		Nine months ended September 30	
	2009	2008	**2009**	2008
Interest on long-term debt	**$ 42**	$ 42	**$ 128**	$ 129
Interest capitalized	**(5)**	(1)	**(10)**	(4)
Debt retirement fund earnings	**(3)**	(3)	**(8)**	(10)
Debt retirement fund market value (gains) losses	**(4)**	4	**(3)**	6
Interest income	**-**	(1)	**-**	(2)
Other interest and charges	**1**	-	**2**	-
	$ 31	$ 41	**$ 109**	$ 119

6. Short-term Advance (in millions)

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount
September 30, 2009	October 5, 2009	0.2500	Canadian Dollar	$ 180

The short-term advance is due to the Province of Saskatchewan's General Revenue Fund.

7. Long-term Debt (in millions)

In the first nine months of 2009, the Corporation repaid $3 of non-recourse debt and $1 of long-term debt.

Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2009

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	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
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Interest capitalized	(5)	(1)	(10)	(4)
Debt retirement fund earnings	(3)	(3)	(8)	(10)
Debt retirement fund market value (gains) losses	(4)	4	(3)	6
Interest income	-	(1)	-	(2)
Other interest and charges	1	-	2	-
	$ 31	$ 41	$ 109	$ 119

6. Short-term Advance (in millions)

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Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2009

8. Financial Instruments (in millions)

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		September 30, 2009		December 31, 2008	
		Asset (liability)		Asset (liability)	
Financial instruments	**Classification[4]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	HFT[1]	$ 8	$ 8	$ 6	$ 6
Accounts receivable and unbilled revenue	L&R[2]	178	178	180	180
Debt retirement funds	HFT[1]	246	246	212	212
Other assets - investment	HFT[1]	2	2	2	2
Financial liabilities					
Accounts payable and accrued liabilities	OL[3]	$ (262)	$ (262)	$ (168)	$ (168)
Accrued interest	OL[3]	(29)	(29)	(48)	(48)
Short-term advance	OL[3]	(180)	(180)	-	-
Dividends payable	OL[3]	-	-	(8)	(8)
Recourse debt	OL[3]	(2,495)	(3,057)	(2,496)	(2,992)
Non-recourse debt	OL[3]	(79)	(90)	(82)	(89)

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as at September 30, 2009 as either held-to-maturity or available-for-sale.

Fair values are determined as follows:

(a) Debt retirement funds are valued at the closing period-end unit prices received from the Saskatchewan Ministry of Finance;
(b) Investment is valued using an internal valuation model, based on management's assumptions;
(c) Long-term debt instruments are valued at period-end market prices for the underlying debt issues or, when unavailable, for similar instruments; and
(d) Other financial instruments – including cash and cash equivalents; accounts receivable and unbilled revenue; accounts payable and accrued liabilities; accrued interest; short-term advance and dividends payable – approximate fair value due to the short period to maturity.

Derivative financial instruments
The following summarizes the market value gains and losses on the Corporation's risk management activities:

	Classification	September 30, 2009 Asset	September 30, 2009 Liability	December 31, 2008 Asset	December 31, 2008 Liability	Nine months ended September 30, 2009 market gains (losses)
Natural gas contracts						
Two-way collars	HFT[1]	$ -	$ (1)	$ 1	$ (3)	$ 1
Fixed price swap instruments	HFT[1]	1	(33)	1	(36)	3
Electricity trading contracts						
Contracts for differences	HFT[1]	-	(1)	-	-	(1)
Forward agreements	HFT[1]	1	(1)	-	-	-
		$ 2	$ (36)	$ 2	$ (39)	$ 3

1. HFT – held-for-trading.

Fair values are determined as follows:
(a) Natural gas derivative option instruments (i.e. collars) are valued based on estimates provided by the financial counterparties;
(b) Natural gas swap instruments are valued using an internal pricing model that uses market data, including average forward monthly natural gas prices obtained from financial counterparties; and
(c) Electricity trading derivatives, including contracts for differences and forward agreements are valued at period-end market prices.

9. Financial Risk Management (in millions)

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates, and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board. The only risks that are substantially different from those reported in the 2008 Annual Report are the following:

Market risk

Natural gas contracts
The Corporation is exposed to natural gas price risk through gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the market price of natural gas. As at September 30, 2009, the Corporation had entered into physical and financial natural gas contracts to hedge approximately 46% of its forecasted natural gas purchases for 2009, 53% for 2010, 45% for 2011 and 27% for 2012.

Based on the Corporation's September 30, 2009 closing positions on its natural gas hedges, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a $31 improvement in the unrealized market value gains/losses recognized in net income for the year. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at September 30, 2009.

Notes to the Consolidated Financial Statements (Unaudited)

As at September 30, 2009

10. Commitments and Contingencies (in millions)

(a) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleged that SaskPower did not make sufficient contributions to the Old Plan and otherwise mishandled the PCSP.

By Settlement Agreement made as of July 8, 2009, a conditional settlement of the action was reached pursuant to which: (1) SaskPower will pay $81 into the PCSP Fund. This amount is equivalent to the total service funding deficit in the PCSP as of December 31, 2008 to be paid in three equal annual instalments, the first of which will be made after final Court approval of the settlement, including appeals; (2) SaskPower makes no admission of liability and receives a release; and, (3) SaskPower will pay the plaintiff's legal costs. The Corporation retains the flexibility to make instalments sooner.

On October 19, 2009, the Saskatchewan Court of Queen's Bench granted a Judgment approving the settlement. The Corporation has accrued a $29 provision in its third quarter financial statements. This includes $27 for the first payment under the terms of the settlement which was recorded as an increase to other assets – defined benefit pension plan. The remaining $2 represents the plaintiff's legal fees and was recorded as an increase in operating, maintenance and administration costs.

(b) SaskPower has various other legal matters pending, which in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

11. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current period financial statement presentation.

SYSTEM MAP

As at December 31, 2008

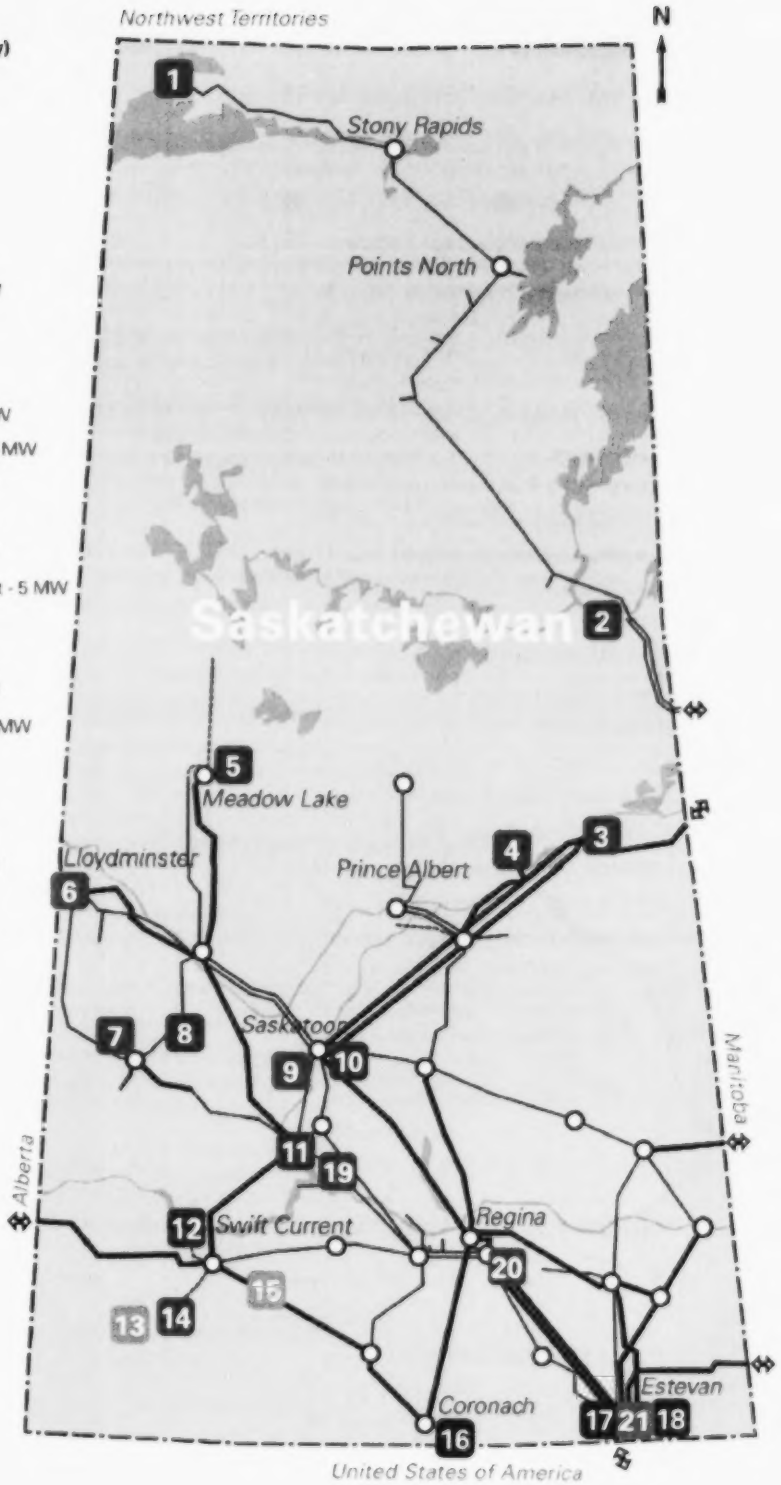
AVAILABLE GENERATION (net capacity)

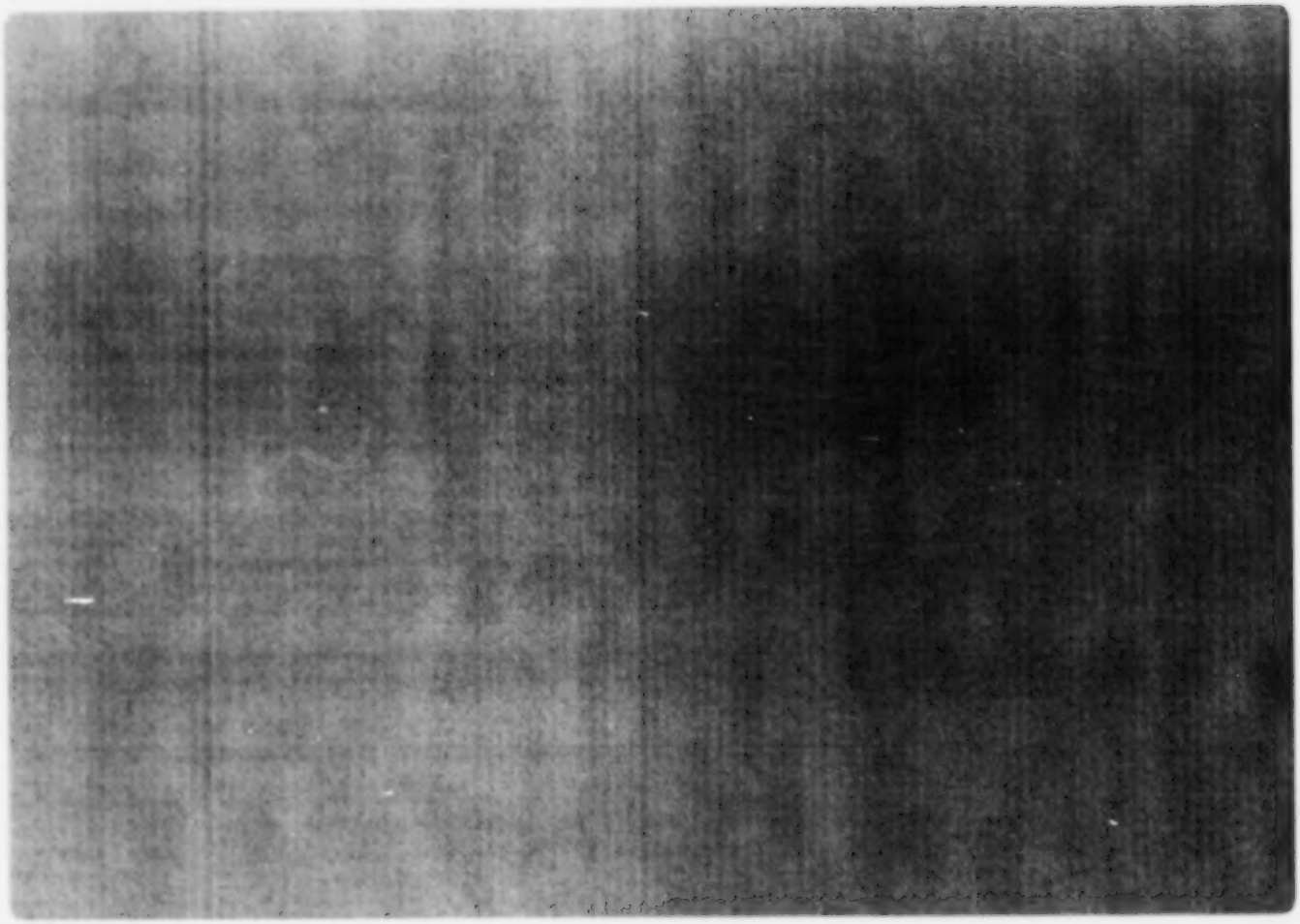
- Hydroelectric
- Natural gas
- Wind
- Coal
- Independent Power Producer

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 102 MW
3. E.B. Campbell Hydroelectric Station - 288 MW
4. Nipawin Hydroelectric Station - 255 MW
5. Meadow Lake Power Station - 44 MW
6. Meridian Cogeneration Station - 210 MW
7. NRGreen Kerrobert Heat Recovery Project - 5 MW
8. Landis Power Station - 79 MW
9. Cory Cogeneration Station - 228 MW
10. Queen Elizabeth Power Station - 322 MW
11. Coteau Creek Hydroelectric Station - 186 MW
12. Success Power Station - 30 MW
13. Cypress Wind Power Facility - 11 MW
14. SunBridge Wind Power Project - 11 MW
15. Centennial Wind Power Facility - 150 MW
16. Poplar River Power Station - 582 MW
17. Boundary Dam Power Station - 824 MW
18. Shand Power Station - 276 MW
19. NRGreen Loreburn Heat Recovery Project - 5 MW
20. NRGreen Estlin Heat Recovery Project - 5 MW
21. NRGreen Alameda Heat Recovery Project - 5 MW

TRANSMISSION

- 230 kV
- 138 kV
- 138 kV line operating at 72 kV
- Switching station
- Interconnection





SaskPower
Powering the future

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